Money, Prices, Credit, and Banking

Banking and Business. By H. Parker Willis and George W. Edwards. (New York: Harper and Brothers. 1922. Pp. x, 573. $3.50.)

It is the belief of the authors of *Banking and Business* that the orthodox method of introducing the prospective business executive to the financial aspects of his job is ineffective. Almost without exception, the books which have been designed for use in the introductory course in business finance have begun with an account of the evolution of media of exchange, proceeded to the traditional presentation of the theory of money and prices, and ended with a discussion of the nature of banking organization and operations, with special reference to the relation of these operations to the mechanism of exchange.

The present volume contains only a modicum of monetary theory, introduced largely for the sake of throwing light upon certain points in the discussion of banking operations. After a brief first part devoted to general preliminary topics such as the nature of exchange, credit and credit instruments, and the classification of banking institutions, the extended discussion of commercial bank organization and methods is taken up. The financial needs of the business man rather than the profits of the banker or the public aspects of finance are the primary concern of the authors, although consideration is given to some of the broader aspects of public regulation and to banking policies and practices abroad. In part three are grouped the so-called non-commercial banking institutions: the bond house, the savings bank, and the trust company. For part four have been reserved those "more theoretical and historical sides of the subject" which usually precede the discussion of organization and methods. Here the student is introduced to the principal foreign banking systems, to the history of American banking, the organization and functions of the federal reserve system and the relation of banking and government. Very brief consideration is also given to the question of the value of money, the relation of banking to the medium of exchange and to the theory of prices.

A somewhat unusual feature is the addition of a series of appendices containing supplementary readings and a group of foreign bank statements for use in connection with the appropriate part of the main text.

The book is thoroughly readable and undoubtedly will prove as thoroughly teachable. In the opinion of the reviewer, its chief defects are (1) its failure to impress upon the reader the fact that the various financial institutions are parts of an interrelated system; that they are all engaged in various phases of a common task, viz., providing

an adequate supply of spendable funds to business enterprises. (2) Although the order of presentation adopted by the authors undoubtedly more readily arouses the interest of the student, the orthodox order is superior in that it follows the natural evolution of the present mechanism of exchange and thus develops the subject in a more orderly manner. (3) It would be deplorable indeed if students were graduated from a college of commerce with no more contact with monetary principles and problems than are offered in the few cut and dried propositions set forth in *Banking and Business.* Some recent astonishing utterances of prominent men upon monetary questions convince the reviewer of the error of the author's statement that "discussion of the abstractions of monetary science should be largely avoided." (4) The long-drawn-out discussion of the various measures which formed a part of the background of the federal reserve is uninteresting and in fact confusing to the beginning student in finance and therefore should be reserved for advanced students who are interested in an intensive study of the system.

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The World's Monetary Problems. By GUSTAV CASSEL. (London: Constable & Company. 1921. Pp. 154. 3s. 6d.)

The volume contains two memoranda, written in response to the invitation of the League of Nations, the first for the International Financial Conference in Brussels, 1920; the second for the meeting of the Financial Committee of the League of Nations in September, 1921.

The first memorandum deals with inflation, the second with deflation. In the first, the dangers of inflation are emphasized and the author urges that restrictions be set up against further indulgence in that direction. In the second, however, he attributes the breakdown in production and the widespread existence of unemployment to what he characterizes as a drastic policy of deflation. Professor Cassel's words in this connection have given aid and comfort to the many advocates of "soft" money in this country.

According to the memorandum, inflation, due first to the creation of credit currency—loans made in excess of real savings—has been furthered by huge government expenditures, heavy taxation, and by certain efforts to counteract the evils of previous inflation. When taxes become a heavy burden, tax payers are forced to borrow from the banks to make their payments. This increases the volume of credit currency without increasing the stock of commodities, thus causing further inflation. Likewise attempts on the part of governments to supply their people with goods at prices below cost of production; to pay subsidies, bonuses, allotments and allowances, most of which are at-